

## BORDER CROSSINGS AND INTEGRATION CORRIDORS PROGRAM

(AR-0202)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Argentina	
<b>Executing agency:</b>	Ministry of Economic Affairs, through the Dirección Nacional de Vialidad [National Highway Department] (DNV)	
<b>Amount and source:</b>	IDB (OC):	US\$200 million
	Cofinancing:	US\$120 million
	Local:	<u>US\$ 80 million</u>
	Total:	US\$400 million
<b>Financial terms and conditions:</b>	Amortization period:	20 years
	Grace period:	6 years
	Physical start of works:	3 ½ years
	Disbursement:	6 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars from the Single Currency Facility
<b>Objectives:</b>	<p>The program's general objective is to facilitate the ground transport of freight and passengers in the priority corridors of the national road system, which links Argentina to the countries of the expanded MERCOSUR, primarily Chile. The purpose of the program is to reduce transport costs and travel times by improving and providing alternate traffic routes for export and import products to and from ports on the Atlantic and Pacific Coasts, and increase safety for users of those routes.</p>	
<b>Description:</b>	<p>The program includes a set of works and activities intended to improve the main border crossings between Argentina and Chile, which will allow a reduction of some 70% in the number of days on which roads are closed during the winter season, and ensure adequate serviceability and safety conditions during the entire year. It also includes the improvement of Ruta Nacional 40 on the sections where this road serves as a link to the primary border crossings with Chile and the National Highway System [Red Troncal Nacional] (RTN),</p>	

allowing for traffic redistribution during interruptions due to severe weather conditions in the Andes mountain range. The program also includes improvements to the routes linking Argentina with Bolivia and Brazil and to the priority sections of the RTN road corridors, which connect the crossings to be improved to production centers. Overall, the program will include the improvement of approximately 1,000 km of RTN roads (US\$307.3 million).

The necessary funds have been provided for to complete the design of projects not included in the sample, works supervision and program administration (US\$27 million).

The program includes funds for technical assistance to improve the DNV's environmental management, the monitoring of concessions, planning, road safety and upgrades of technical standards. Some of these measures are in addition to the ones the DNV undertook with Bank and World Bank support, and are directly related to the objectives of this operation (US\$3.7 million).

Also to be financed are the implementation of the RN 14 Resettlement Plan; engineering designs for other sections of the program's road corridors; land acquisition; and some investments to improve border post infrastructure and services (US\$6 million).

**Relationship of the program to the Bank's country and sector strategy:**

The objective of the Bank's strategy in Argentina is to support the following: (i) State reform and fiscal equilibrium; (ii) sustainable growth in the production sectors and increased productivity; (iii) poverty reduction and an increase in the population's standard of living; and (iv) the deepening of regional integration.

The program is consistent with these objectives, since it will contribute to facilitating production activities, providing the necessary basic support infrastructure and improving the level of services for the production of goods or services at competitive prices. It will also contribute significantly to the regional integration process, by improving infrastructure and reducing bottlenecks at the main border crossings between Argentina and its neighboring countries.

**Environmental and social review:**

The Committee on Environment and Social Impact (CESI) reviewed the operation (13 October 2000) and its environmental and social recommendations are reflected in this document (paragraph 3.33) and in the program's operating regulations.

**Benefits:**

The program will contribute to:

Improving the RTN's road infrastructure by mitigating the existing capacity constraints in the integration corridors, particularly in the border zones. It will also finance specific works, which will help considerably to alleviate the operating problems of certain border crossings.

Supporting the production sectors by reducing transport costs in the RTN's priority road corridors. The sections to be improved were selected for their importance with respect to the productive activities of the service area.

Strengthen the DNV in aspects of environmental management, road safety, planning, road operations, and the monitoring of concessions.

**Risks:**

The design and formulation of the proposed program provides for technical measures to minimize potential risks, which are related to sufficient financial capacity on the part of the DNV to fulfill the annual goals and actions on a timely basis; and to the coordination of investments with neighboring countries.

To address any limitations in the availability of budget resources, the program design takes into consideration the length of the execution schedule, in order for it not to represent an increase greater than that of the funds historically assigned to the DNV; and the inclusion of cofinancing to reduce National Treasury contributions in local counterpart funds.

Regarding coordination with neighboring countries, the Government of Argentina has signed an agreement with the Government of Chile, which includes an investment schedule for Chile's border crossings similar to those that will be improved under this program.

**Special contractual clauses:****Conditions precedent to the first disbursement:**

The DNV must engage consultants to bring the existing program coordination unit (PCU) up to strength and assign the DNV personnel responsible for program management, execution and monitoring (paragraph 3.3).

Implementation of the program operating regulations (PORs) agreed to with the Bank. Written consent from the Bank will be required for changes to the PORs (paragraph 3.6).

The DNV must submit the terms of reference for engaging the consulting services for the implementation of an environmental management system for the DNV (paragraph 3.18).

The DNV must present evidence that it has the experts needed to strengthen the Environmental Management Division (paragraph 3.19).

The borrower must submit satisfactory evidence that the Japan Bank for International Cooperation (JBIC) cofinancing has been committed, or that other sources of financing have been obtained under similar conditions for the local counterpart funds (paragraph 5.25).

**Special conditions:**

Prior to issuing the call for bids for each of the program works, the DNV must submit to the Bank evidence that it fulfills the requirements set forth in the POR (paragraph 3.9).

Prior to issuing the call for bids for the works to improve a border crossing, the DNV must also submit to the Bank, where necessary, a copy of the agreement that the Government of Argentina signed with the neighboring country for purposes of: (i) consummating investments at that crossing in the country's territory and within periods compatible with execution of the works contracted by the borrower; and (ii) providing a level of service consistent with the traffic between the two countries (paragraph 3.10).

No later than 30 months from the effective date of the loan, the necessary documentation must be available to tender all the works in accordance with standards that meet the POR requirements (paragraph 3.12).

Within six months after the loan enters into force, the DNV will submit for Bank approval the tender documents for the snow removal and road clearing equipment (paragraph 3.15).

Before initiating the technical assistance for the design and execution of a pilot system to control snow avalanches, the DNV must obtain the necessary agreements with the entities that would be involved in operating the system (paragraph 3.21).

An interim evaluation will be carried out jointly with the borrower 27 months from the effective date of the loan to review the progress made in executing the program (paragraph 3.43).

**Environmental and social aspects:**

Before a call for bids for civil works, the DNV will submit to the Bank evidence that it obtained all environmental licenses and permits required by applicable law (paragraph 3.33a).

For projects involving expropriations and the resettlement of low-income groups, the DNV will submit the following to the Bank: (i) before the call for bids for civil works, the environmental impact assessments (EIAs) and the respective resettlement plans (PRR) and the signed agreements necessary for their execution; and (ii) 30 days before initiating works in the affected section of each project, evidence that the PRR was implemented (paragraph 3.33b).

Before calls for bids for civil works for projects having a significant impact on indigenous communities, the DNV will submit EIAs to the Bank, together with the respective indigenous communities support plans; and the signed agreements necessary for their execution. In the works involving the General Mosconi and Tartagal section of RN 34, the tender documents will include measures for mitigating the potential impact on the indigenous community in Tartagal, in accordance with the opinion of the anthropology expert engaged by the DNV (paragraph 3.33c).

Before calls for bids for civil works for projects located in the areas of influence of protected areas, such as RN 14, 16 and 35 (Cruce Caballero, Copo and Luro Parks), the DNV will submit to the Bank the agreements with the respective administrative entities in the protected areas. These agreements must contain the following: (i) a description of the activities; (ii) the responsibilities of the parties involved; (iii) the schedule for execution of the services; and (iv) the cost and the source of the necessary funds. In the RN 14 works on the section between Dos Hermanas and Gramado, the DNV must submit to the Government of Misiones Province the decree authorizing it to engage in the cutting of protected plant species (paragraph 3.33d).

In the semiannual reports to be submitted to the Bank, for each project under execution, background information will be provided on the application of measures to mitigate the environmental and social impacts, in accordance with the POR (paragraph 3.33e).

**Poverty-targeting and social sector classification:**

This operation does not qualify as a social-equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Furthermore, this operation does not qualify as a project with an impact on gender issues.

**Exceptions to  
Bank policy:** None

**Procurement:** Bank procedures will be used. For consulting services contracts, the procedures indicated in document GN-1679-3 will be followed. For such contracts that exceed the equivalent of US\$200,000, procurement of goods valued at the equivalent of US\$350,000 or more, or works contracts in amounts equal to or above the equivalent of US\$5,000,000, international competitive bidding will be required (paragraph 3.36).